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Viewing cable 09BEIJING2918, PRC/AFGHANISTAN: MCC ON THE AYNAK COPPER MINE

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09BEIJING2918**.

Reference ID	Created	Released	Classification	Origin
09BEIJING2918	2009-10-21 08:54	2011-08-30 01:44	CONFIDENTIAL	Embassy Beijing

Appears in these articles:

<http://www.aftenposten.no/spesial/wikileaksdokumenter/article3992405.ece>

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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 002918

SIPDIS

DEPT FOR EAP/CM AND S/SRAP

E.O. 12958: DECL: 10/21/2019
TAGS: [EAID](#) [EINV](#) [EMIN](#) [ENRG](#) [PREL](#) [AF](#) [CH](#)
SUBJECT: PRC/AFGHANISTAN: MCC ON THE AYNAK COPPER MINE
PROJECT

REF: KABUL 3101
Classified By: Acting Economic Minister Counselor Robert Forden. Reaso

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¶1. (C) Summary: The political vacuum created by Afghan elections and "inefficient" work of the de-mining company has caused delays at the Aynak copper mine project, according to two executives at the China Metallurgical Group Corporation (MCC, the mine contract holder). The MCC officials requested U.S. assistance in expediting the de-mining process and expressed willingness to participate in consultations with the United States on Afghanistan economic development. They expressed mild concerns about security but commented that security at Aynak was "not as bad as imagined." The company hoped to begin small-scale production by the end of 2011 and large-scale production by the end of 2013 and eventually hire up to 4000 direct employees. Although the company was committed to hiring "as many Afghans as possible," significant job training would be necessary before MCC could reach its goal of having 80 percent Afghan workers. MCC planned a number of infrastructure and community projects, including new roads from Aynak and a power plant near the Bamiyan coal mine. The company was also considering construction of a steel plant if awarded the Hajigak iron ore contract. End Summary.

¶2. (C) EconMinCouns met MCC [TEXT REMOVED BY AFTENPOSTEN] and MCC [TEXT REMOVED BY AFTENPOSTEN] on October 21. [TEXT REMOVED BY AFTENPOSTEN] is responsible for oversight of the Aynak copper mine projects and makes regular visits to the mining site.

Delays Caused by De-mining Company and Elections

¶3. (C) [TEXT REMOVED BY AFTENPOSTEN] said MCC had been unfairly criticized for the slow progress on the project and blamed the delays on the "inefficient" company that received the contract to de-mine the surrounding area. He said the de-mining company insisted on clearing some areas that had already been de-mined, adding to the project costs and preventing MCC from carrying out other preliminary work. [TEXT REMOVED BY AFTENPOSTEN] asked the United States to help expedite the de-mining process.

[TEXT REMOVED BY AFTENPOSTEN] said the Afghan elections had also impacted the project by creating a political vacuum and making the Afghan government even less efficient than usual.

Security Not as Bad as Imagined but Still a Concern

¶4. (C) The security situation at the mine site was "not as bad as I imagined," said [TEXT REMOVED BY AFTENPOSTEN], who last visited Aynak in July 2009. Nevertheless, [TEXT REMOVED BY AFTENPOSTEN] said MCC still had security concerns, noting that insurgents had fired three rockets at the mine site in recent months. He expressed concern that terrorists were hiding in surrounding villages and complained that the Afghan National Police (ANP) assigned to the mine were afraid to go into the surrounding villages to root out the terrorists.

MCC Outlines Project Timeline

¶5. (SBU) [TEXT REMOVED BY AFTENPOSTEN] said preliminary work on the project began in July 2009 with a site survey, de-mining of the site and other prep work. Once preliminary work is finished, MCC plans to begin phase one of construction of the mine. MCC expects to complete phase one by the end of 2011, at which point small-scale production would begin. MCC plans to expand production capacity during phase two and hopes to complete phase two and begin large-scale production by the end of 2013. MCC: Our Goal is to Create Local Jobs

¶6. (C) [TEXT REMOVED BY AFTENPOSTEN] stressed that creating local jobs was one of the company's main goals, commenting that MCC would honor its commitment to the Afghan government to hire "as many Afghans as possible." [TEXT REMOVED BY AFTENPOSTEN] said the contract required MCC to hire a certain percentage of Afghan workers, from 50 percent when production started to at least 80 percent within eight years. MCC expected to hire 1500 workers by the end of phase one and eventually have 4000 direct employees, at least 80

percent of whom would be Afghan. [TEXT REMOVED BY AFTENPOSTEN]
said hiring local
workers would eventually lower costs and contribute to
security, but the lack of skilled technical workers
necessitated the use of skilled Chinese workers and training
of Afghan workers in the short-term. He complained that
delays caused by the de-mining company had prevented MCC from
building a training center for Afghan workers.
MCC Planning Infrastructure and Community Projects

¶17. (C) [TEXT REMOVED BY AFTENPOSTEN] downplayed the possibility of building rail
lines from Aynak, commenting that building new roads would be
sufficient to transport the refined copper processed at the
mine. MCC also planned to build a power plant that would be
powered by coal from the Bamiyan coal mine and would supply
power to the Aynak copper mine. Asked about MCC's plans for
community development projects, [TEXT REMOVED BY AFTENPOSTEN]
said the company was
"always considering" possible projects.
[TEXT REMOVED BY AFTENPOSTEN] said MCC
had plans to train local workers to grow vegetables and other
food that could be sold to MCC for its workers. He said the
local government supported the plan and had already set aside
land for the project. [TEXT REMOVED BY AFTENPOSTEN] said the company planned to
eventually build schools and mosques and provide water and
electricity for the local community, but he did not specify a
timeline for these projects.
MCC Considering Steel Plant at Hajigak

¶18. (C) Regarding MCC's participation in the Hajigak iron ore
tender process, [TEXT REMOVED BY AFTENPOSTEN]
said MCC's proposal had received strong
support from the Afghan government. He said if MCC was
awarded the contract, the company would consider building a
steel plant near the mine to process most of the iron ore in
Afghanistan rather than transport it to China, hoping to
capitalize on the growing demand for steel for construction
projects in Afghanistan.
Af-Pak Consultations

¶19. (C) Noting the United States and China's shared interest
in stability and economic development in the region,
EconMinCouns raised the possibility of MCC's participation in
the proposed U.S.-China consultations on Af-Pak. [TEXT REMOVED BY AFTENPOSTEN]
replied that MCC was "willing to actively participate in
talks." (Note: Since MFA and the Ministry of Commerce have
not yet agreed to send a delegation to Washington for
consultations, we did not formally invite MCC but only
mentioned its participation as a possibility. It is unlikely
that MCC would take part in consultations unless invited by
the Chinese government.)

Complaints about Afghan Corruption and Inefficiency

¶10. (C) Following the meeting, [TEXT REMOVED BY AFTENPOSTEN]
told EconMinCouns
privately that dealing with the Afghan government was a
challenge because of the government's corruption and
inefficiency. He said Afghan officials could not make
decisions without getting approval from the highest levels of
government, making it difficult for MCC to proceed with the
project. In addition, everything required the approvals of
numerous officials, to each of whom small payments would have
to be made.

[TEXT REMOVED BY AFTENPOSTEN] praised the World Bank for providing some
oversight of the tender process for mining rights, commenting
that the tender process would be even more corrupt without
World Bank oversight.

HUNTSMAN